

VZCZCXRO7077  
RR RUEHJO  
DE RUEHSA #0875/01 1201416  
ZNR UUUUU ZZH  
R 301416Z APR 09 ZDF  
FM AMEMBASSY PRETORIA  
TO RUEHC/SECSTATE WASHDC 8318  
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE  
RUCPCIM/CIMS NTDB WASHDC  
RUCPDC/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHJO/AMCONSUL JOHANNESBURG 9141  
RUEHTN/AMCONSUL CAPE TOWN 6801  
RUEH DU/AMCONSUL DURBAN 0912

UNCLAS SECTION 01 OF 03 PRETORIA 000875

DEPT FOR AF/S/; AF/EPS; EB/IFD/OMA  
USDOC FOR 4510/ITA/MAC/AME/OA/DIEMOND  
TREASURY FOR TRINA RAND  
USTR FOR JACKSON

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [ETRD](#) [EMIN](#) [EPET](#) [ENRG](#) [BEXP](#) [KTDB](#) [SENV](#)

PGOV, SF

SUBJECT: SOUTH AFRICA ECONOMIC NEWS WEEKLY NEWSLETTER APRIL 30, 2009  
ISSUE

PRETORIA 00000875 001.3 OF 003

¶1. (U) Summary. This is Volume 9, issue 18 of U.S. Embassy Pretoria's South Africa Economic News Weekly Newsletter.

Topics of this week's newsletter are:

- South African Reserve Bank Cuts Repo Rate
  - Company Failures Rise
  - Finance Minister Will Have Role in Next ANC Government
  - South Africa Takes Anti-Dumping Action against China and Malaysia
  - ACSA to Use Improved Screening Measure to Detect Drug Smuggling and Swine Flu
  - Goodyear Invests in the Eastern Cape
  - Region to Top Up South Africa's Power
  - Eskom Seeks More Government Support
  - PBMR Demonstration Delay
  - Zuma Administration to Split Departments
- End Summary.

-----  
South African Reserve Bank Cuts Repo Rate  
-----

¶2. (U) The South African Reserve Bank's (SARB) Monetary Policy Committee (MPC) cut the key monetary policy interest rate, the repo rate, by 100 points to 8.5%. Interest rates have been cut by a cumulative 350 points since December 2008. Domestic output and expenditure growth were declining or negative, remarked SARB Governor Tito Mboweni. "The growth outlook is dependent on the broader global economic recovery," he said. (Absa Newsletter and Business Day, April 30, 2009)

-----  
Company Failures Rise  
-----

¶3. (U) Company failures shot up in the first quarter of 2009. According to Statistics South Africa, corporate liquidations surged to 1,008 in the first quarter of the year, in contrast to only 687 in the first quarter of 2008. The finance sector was hit hardest, followed by trade and manufacturing. "This news is not unexpected, but confirms that 2009 is going to be a tough year for business," said Raymond Parsons, Deputy CEO of Business Unity South Africa. Barnard Jacob Mellet economist Elna Moolman told reporters, "I

think, unfortunately, things will continue to deteriorate, probably until the end of the year." (Business Day, April 29, 2009)

---

#### Finance Minister Will Have Role in Next ANC Government

---

¶4. (U) South African Finance Minister Trevor Manuel will have a role in the next ANC government, according to ANC Treasurer-General Mathews Phosa. Speaking to investors in London, Phosa said that Manuel's role would be important, whatever his position turns out to be. However, Phosa declined to say whether Manuel would stay on as Finance Minister. Other media reports have speculated that Manuel might be moved to a new central planning commission due to be set up in the Presidency. Phosa stressed that economic and financial policy would remain largely constant under Jacob Zuma. (Business Day, April 28, 2009)

---

#### South Africa Takes Anti-Dumping Action Against China and Malaysia

---

¶5. (U) South Africa has imposed provisional anti-dumping duties of 62% and 96%, respectively, on stainless steel kitchen sink imports from China and Malaysia. The government's International Trade Administration Commission (ITAC) found that the local industry was suffering material injury as a result of the dumping. ITAC will now complete the investigation and make a final determination. This is only the third time that anti-dumping duties have been imposed on imports from China since South Africa granted China "market economy status" two years ago. The case was filed by Franke Kitchen Systems, a local manufacturer. Importers of kitchen sinks claim that the duties will leave Franke with a monopoly position in the

PRETORIA 00000875 002.3 OF 003

South African market. (Tralac Newsletter, April 29, 2009)

---

#### ACSA to Use Improved Screening Measure to Detect Drug Smuggling and Swine Flu

---

¶6. (U) The Airports Company of South Africa (ACSA) is planning to install technology to check the temperatures of passengers arriving from countries affected by swine flu. ACSA Director of Operations Bongani Maseko had initially planned to use thermal image detection systems to screen for drugs after two recent drug busts involving South African Airways crew members. The technology would show raised temperatures, which could indicate that a passenger was anxious and a possible drug smuggler. Now ACSA plans to use the technology to identify passengers who may be infected with swine flu. (South African Press Association, April 29, 2009)

---

#### Goodyear Invests in the Eastern Cape

---

¶7. (U) Goodyear Tire and Rubber Holdings has decided to invest R70 million (\$8 million) in its Uitenhage plant in the Eastern Cape Province despite the troubles in the global automotive industry. The investment will allow the factory to produce three new, technologically-superior tire products, including one specifically aimed at the minibus taxi market. Goodyear Managing Director Jean-Jacques Wiroth said the investment reinforced Goodyear's commitment to South Africa and sub-Saharan Africa. Goodyear is investing in new machinery, training local staff, and developing distribution channels, according to Wiroth. He added that Goodyear was extending its range through the launch of the new products in South Africa. (Business Report, April 28, 2009)

---

#### Region to Top Up South Africa's Power

---

18. (U) Power producers in the Southern African Power Pool (SAPP) have pledged their support to assist South Africa in meeting the electricity requirements of the 2009 Confederations Cup and 2010 FIFA World Cup, confirmed state-owned power utility Eskom. Eskom reported that the other 13 members of the power pool had pledged to support South Africa in the areas of power generation, transmission, customer contributions, and demand-side management (DSM) initiatives during the sporting events. Eskom would be able to tap into 2,000-3,000 megawatts (MW) of power to back up its own strained system from power sources in the region. SAPP Chief Engineer Alison Chikova reported that its members would meet in Mozambique to sign the pledge, as the 2010 FIFA World Cup would be a big electricity-supply challenge for the SAPP region. The commitment to back Eskom's electricity infrastructure was prompted by the utility's pledge to honor supply contracts with the region despite the supply shortfall last year. Electricity demand in the region has eased since the financial crisis has affected the economy. South Africa's peak demand of 36,000 MW last year - dangerously close to available capacity of 38,300 MW - has since dropped by almost 20% to 30,000 MW. Little power has actually been traded in SAPP to date because of limited excess supply available and limited QSAPP to date because of limited excess supply available and limited transmission capacity. (Weekender, Engineering News, April 29, 2009)

-----  
Eskom Seeks More Government Support  
-----

19. (U) Eskom CEO Jacob Maroga argued recently that its build program was an effective fiscal stimulus program for South Africa, citing capital spending of nearly \$12 billion in 2010/11 and \$10 billion in 2011/12. Eskom's major new projects underway are two new coal-fired projects, in Limpopo and Mpumalanga, and a pumped storage peaking plant in the Drakensburg Mountains. These three projects represent 11,000 MW of generation capacity and \$23 billion in total investment. Maroga said this expenditure program would place a strain on the utility's financial ratios. "Government has given us a guarantee ... but we may require more," he hinted, alluding to the

PRETORIA 00000875 003.3 OF 003

possibility that Eskom might have to approach government for yet more support beyond the \$8 billion subordinated loan and the \$20 billion in guarantees already extended to help it finance its \$45 billion five-year capital program. Eskom has delayed making a tariff increase request to the regulator because of current economic challenges and the April 22 elections. South Africa's largest labor federation COSATU has already stated that it would oppose even an increase that was in line with Eskom's previously indicated price path of 20-25%. The new power stations in Limpopo and Mpumalanga are on schedule to meet their commissioning target dates of 2012 and 2013, according to Eskom. (Engineering News, April 23, 2009)

-----  
PBMR Demonstration Delay  
-----

19. (U) South Africa's PBMR Company, which is developing the fourth generation pebble bed modular reactor (PBMR) technology, has confirmed a delay in the construction of its high-temperature, gas-cooled demonstration plant. "The delay is because of modifications to the PBMR design from a direct cycle, gas-turbine concept intended for electricity generation to an indirect, steam-turbine concept that can generate electricity to be used for process heat applications," stated PBMR Communications Consultant Tom Ferreira. He mentioned the U.S.-led New Generation Nuclear Plant project, South African coal-to-liquids and petrochemicals group Sasol, and Canadian oil sands as potential applications. Ferreira also referred to the recently announced memorandum of understanding with China's Institute of Nuclear and New Energy Technology at Tsinghua University in Beijing and the Chinergy Company. He said the main objectives of the MOU would be to pursue collaboration in a number of strategic and technical areas relating

to high-temperature projects in China and South Africa.  
(Engineering News, April 23, 2009)

-----  
Zuma Administration to Split Departments  
-----

[19](#). (U) President Jacob Zuma plans to split certain departments, according to ANC transitional team leader Collins Chabane. The team has proposed partitioning the Department of Water Affairs and Forestry as well as the Department of Environmental Affairs and Tourism. Water-related matters would become part of the Department of Environmental Affairs, forestry matters would become part of the Department of Agriculture, and Tourism would become a stand-alone department. Department of Minerals and Energy would become two departments, one focusing on mining and the other on energy. (Mail and Guardian, April 30, 2009)